

This Page Is Inserted by IFW Operations
and is not a part of the Official Record

BEST AVAILABLE IMAGES

Defective images within this document are accurate representations of the original documents submitted by the applicant.

Defects in the images may include (but are not limited to):

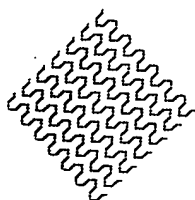
- BLACK BORDERS
- TEXT CUT OFF AT TOP, BOTTOM OR SIDES
- FADED TEXT
- ILLEGIBLE TEXT
- SKEWED/SLANTED IMAGES
- COLORED PHOTOS
- BLACK OR VERY BLACK AND WHITE DARK PHOTOS
- GRAY SCALE DOCUMENTS

IMAGES ARE BEST AVAILABLE COPY.

**As rescanning documents *will not* correct images,
please do not report the images to the
Image Problems Mailbox.**

MARKETING

PRINCIPLES & STRATEGY



HENRY ASSAEL

Stern School of Business
New York University

The Dryden Press

Chicago Fort Worth San Francisco Philadelphia
Montreal Toronto London Sydney Tokyo

RECORDS OF THE LIBRARY
OF THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Acquisitions Editor: Rob Zwettler
Developmental Editor: Millicent Treloar
Project Editor: Teresa Chartos
Production Manager: Bob Lange
Director of Editing, Design, and Production: Jane Perkins

Text and Cover Designer: Jeanne Calabrese
Copy Editor and Indexer: Maggie Jarpey
Compositor: York Graphic Services, Inc.
Text Type: 10/12 Sabon

Library of Congress Cataloging-in-Publication Data

Assael, Henry.

Marketing : principles and strategy / Henry Assael. — 1st ed.

p. cm.

Includes bibliographies and index.

ISBN 0-03-016622-5

1. Marketing. I. Title.

HF5415.A748 1990

658.8'02 — dc20

89-11814
CIP

Printed in the United States of America

012-032-987654321

Copyright © 1990 by The Dryden Press, a division of Holt,
Rinehart and Winston, Inc.

All rights reserved. No part of this publication may be reproduced
or transmitted in any form or by any means, electronic or
mechanical, including photocopy, recording, or any information
storage and retrieval system, without permission in writing from the
publisher.

Requests for permission to make copies of any part of the work
should be mailed to: Copyrights and Permissions Department, Holt,
Rinehart and Winston, Inc., Orlando, FL 32887.

Address orders:
The Dryden Press
Orlando, FL 32887

Address editorial correspondence:
The Dryden Press
908 N. Elm Street
Hinsdale, IL 60521

The Dryden Press
Holt, Rinehart and Winston
Saunders College Publishing

Electric has a very diverse product mix. Its lines vary by industry, and they include consumer goods, industrial goods, and services.

The breadth, depth, and consistency of a company's product mix pose some important strategic issues that we will consider in Chapter 22 when we discuss strategic planning.

THE PRODUCT LIFE CYCLE

The marketing strategy for a brand or product line cannot stay constant over a product's life cycle, that is, the phases through which a product goes from introduction to growth to maturity and decline. Variations in positioning, advertising, pricing, and distribution strategies occur in each of these stages.

LIFE CYCLES FOR PRODUCT CATEGORIES AND BRANDS

The concept of a life cycle can apply to product categories as well as to brands. Consider the automobile. As a product category, the automobile's life cycle extends over decades and is now in its mature phase since automobile sales have been fairly level in recent years.

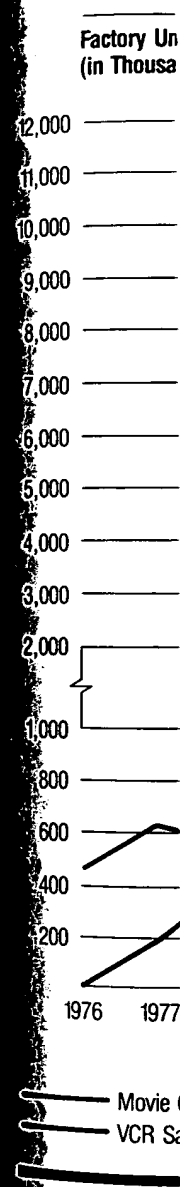
Defining a product category as "the automobile" is probably too broad for strategic purposes, though. More specific categories could be defined such as compact cars, luxury cars, or station wagons. The life cycle of these categories would have more strategic relevance. The compact car, for instance, is now about 30 years into its life cycle; it is currently moving from a growth to a mature phase since sales have leveled off after a rapid spurt due to the energy crisis. Brands of cars such as Honda's Acura have their own life cycles. The Acura is in its introductory phase.

Our interest is primarily in the life cycles of brands, since they are the focus point for strategy development. But brand managers must also be aware of the life cycle for the product category, because brand sales are often tied to product category sales. The decrease in the demand for cigarettes has hurt most brands, with some exceptions such as Marlboro. The failure of RCA's Selectavision was due more to the shortcomings of the product category, videodiscs, than to problems with RCA's brand.

Figure 11.4 shows the sales curves for movie cameras and for VCRs in their respective life cycles. The reason movie camera sales are declining is the increase in sales of video cameras whose pictures can be played on VCR equipment. The movie-camera life cycle proved disastrous for Polaroid. The company introduced its Polavision system that instantly develops movie film in 1976, just at the end of the increase in movie camera sales. The company failed to see the effect of the advent of the VCR market on movie cameras. Similarly, Kodak was late in switching out of the eight-millimeter camera market into video camera production and lost any competitive advantage to Japanese manufacturers such as Sony and Panasonic.

STAGES OF THE PRODUCT LIFE CYCLE

Figure 11.5 shows the traditional, bell-shaped sales curve for a product brand as it passes through the life cycle stages of introduction, growth, maturity, and decline. These stages tend to be associated with certain types of brands and strategies shown at the top of the figure: brand development, reinforcement, revision, harvesting, and possibly revival. The figure also shows the strategic



ives as well as the strategies — assume look more closely

The Introductory When a brand is established it, not a Brand establishes product availability. The product in order to attract benefits. To inform

Factory Units Shipped
(in Thousands)

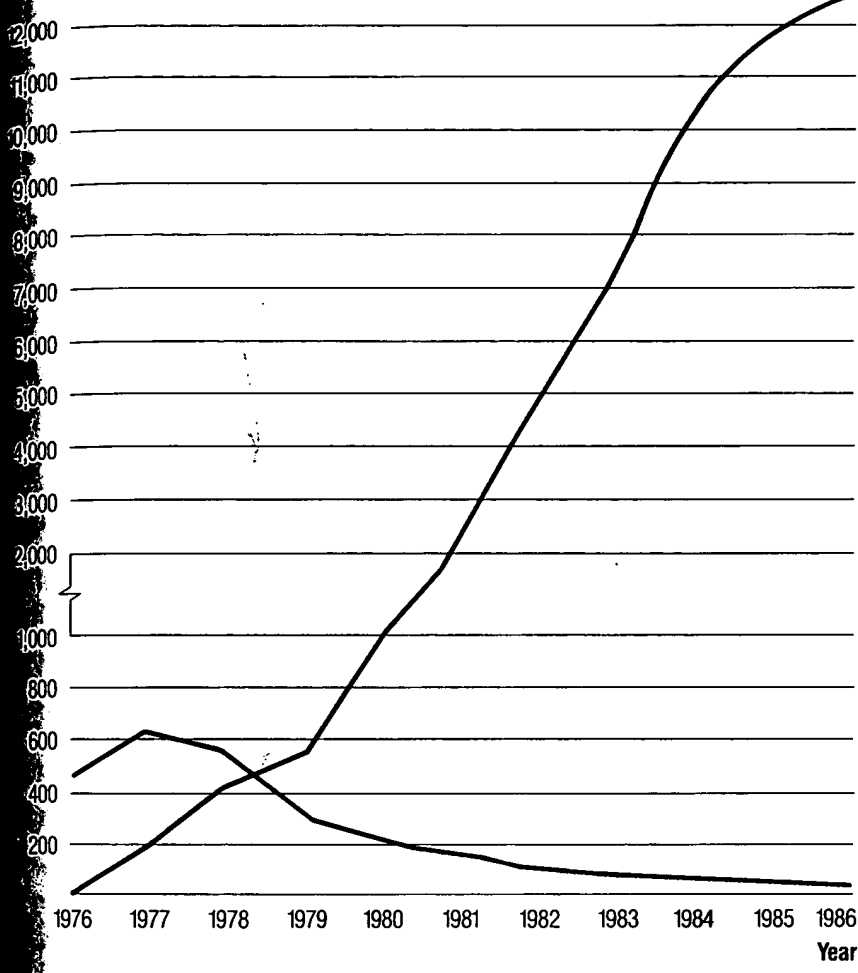


FIGURE 11.4
Product Life Cycle for Movie
Cameras and VCRs

Sources: Movie Camera Sales from *Predicasts' Basebook*, 1987, p. 663. VCR Sales for 1976-1980 from "Sales of Home Movie Equipment Falling as Firms Abandon Market, Video Grows," *The Wall Street Journal*, March 17, 1982, p. 29; VCR Sales for 1981-1986 from *Statistical Abstract of the U.S.*, 1987, Table 1356, p. 751.

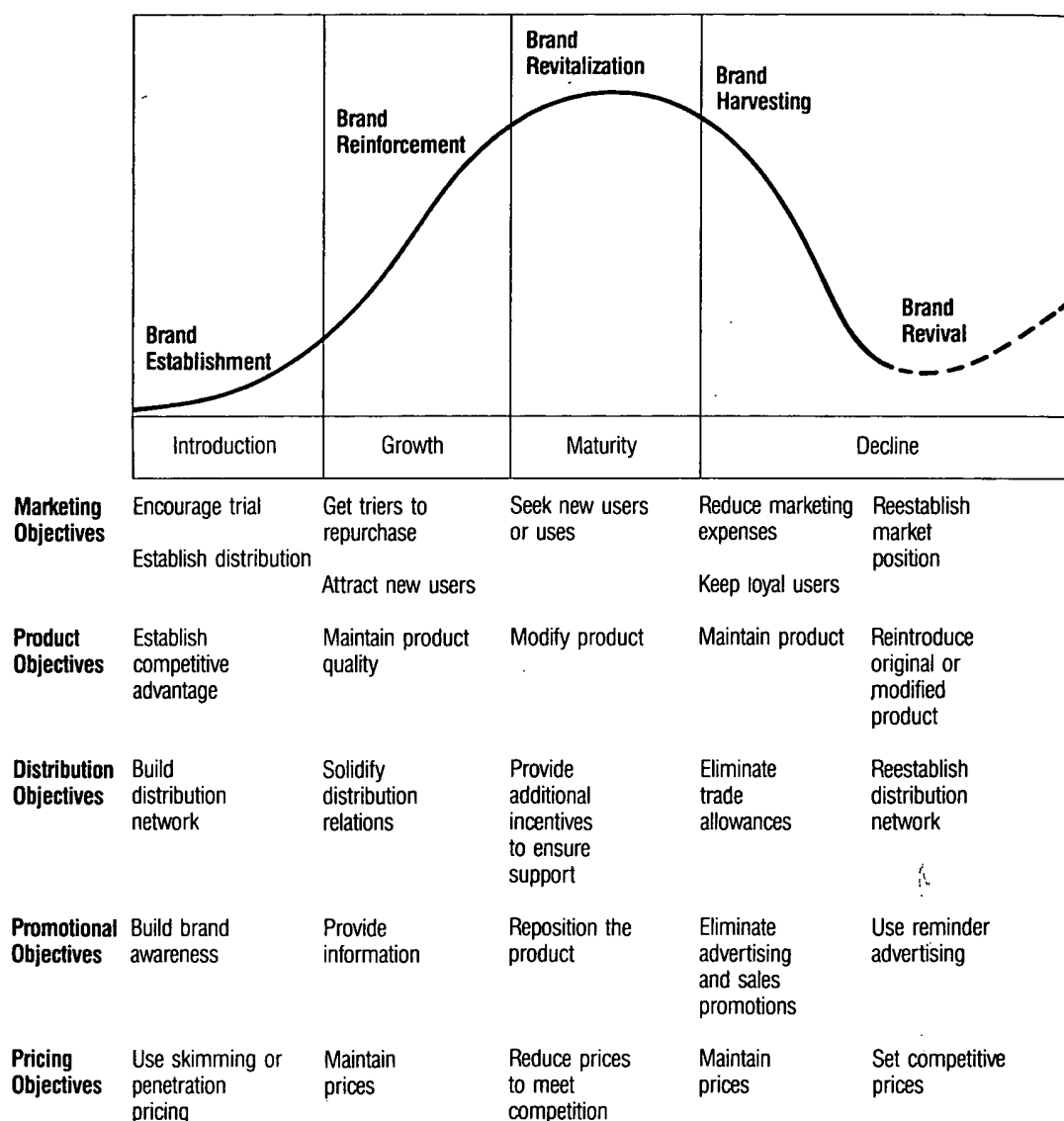
ives as well as the four Ps — product, place (distribution), promotion, and price strategies — associated with each stage. In the following paragraphs, we will look more closely at each stage in the life cycle.

The Introductory Stage

When a brand is first introduced, the main purpose of marketing strategy is to establish it, not only with consumers, but with wholesalers and retailers as well. Brand establishment thus entails building a distribution network to make the product available to consumers and convincing consumers to try the product.

The product must have some competitive advantage in terms of quality or cost in order to attract consumers. The goal of advertising is to inform them of these benefits. To influence wholesalers and retailers to stock a brand, firms may

FIGURE 11.5
Marketing Strategies over
a Brand's Life Cycle



offer favorable trade discounts and allowances for advertising and in-store promotions.

Brand managers can follow two types of pricing strategies in the introduction stage. As we noted in Chapter 8, with a **penetration strategy**, the brand is introduced at a low price to induce as many consumers as possible to try it. A penetration strategy is usually coupled with the use of price deals and coupons, particularly for food products and toiletries. With a **skimming strategy**, the brand

introduced at a high price to target a premium segment.

Coca-Cola's introduction of the new bar market was a classic example. Foods' JELL-O, which produced fruit sticks, then leveraged its brand to establish a competing market, leaving Jell-O to build brand awareness. It launched a multi-million coupon campaign. Coca-Cola already had a problem. A penetration price of 27 cents

The Growth Stage. A brand enters the market and begins to become established. Competitors appear.

The main objective is to reinforce the brand and encourage repurchase, and attract first-time purchasers.

Marketing mix objectives include building up the brand and building up the stage. The primary competition is in pricing, or adding sections with distribution. At the same time, trial sales are weak. Daily, however, promotionka's case was a market.

Whereas the primary objective is to inform consumers, the 1985 entry of Bartles and Edwards strengthened distribution machines to show sales. Gallo's overtaking the market.

The Maturity Stage. During the maturity stage, the brand is

introduced at a high price so as to maintain a select image and appeal to a smaller target segment. As competition intensifies, prices are slowly lowered.

Coca-Cola's successful introduction of Minute Maid Fruit Juice bars in 1986 illustrates the basic principles of brand establishment. The booming frozen fruit bar market was dominated at the time by Dole's Fruit 'N Juice bars and General Foods' JELL-O Pudding Pops. Coca-Cola began by purchasing a small company that produced fruit juice bars with a unique wrapper that avoided a drippy bar on a stick, then leveraged the Minute Maid name by putting it on the product. To establish a competitive advantage, the company decided to target the children's market, leaving the nutritionally oriented adult market to the leader, Dole. To build brand awareness and encourage consumers to try the new product, it launched a multimillion-dollar marketing campaign that included TV spots, 120 million coupons, and a special in-store freezer compartment promotion. Coca-Cola already had a 300-person Minute Maid salesforce, so distribution was no problem. A penetration strategy was chosen for the price: Its bar sold at an average price of 27 cents per portion compared to Dole's 43 cents.

The Growth Stage

A brand enters the growth stage when sales increases are sustained and the brand begins to become profitable. If it is an innovation, by this time it will have attracted competitors. When Minnetonka introduced the first liquid soap, 42 competitors appeared on the market after only one year.³¹

The main objective of the growth phase is **brand reinforcement**, that is, to reinforce the brand's position by getting consumers who have tried the brand to repurchase it, and by continuing to attract new users. If a substantial number of first-time purchasers do not rebuy, the brand will fail.

Marketing mix strategies during the growth stage are all aimed at maintaining and building upon the competitive advantages won during the introductory stage. The primary product objective is to maintain product quality, although if competition is intense, a company may have to add new features, improve packaging, or add services. The objective of distribution strategies is to solidify relations with distributors by continuing to offer trade discounts and allowances. At the same time, the company will seek additional outlets in areas where brand sales are weak. During this stage an attempt is made to maintain prices; occasionally, however, prices must be reduced due to competitive pressure, as in Minnetonka's case when it lowered its price as competitors entered the liquid soap market.

Whereas the promotional goal of the introductory stage was to create brand awareness and encourage users to try the product, the goal of the growth stage is to inform consumers about brand performance. Gallo reinforced its successful 1985 entry of Bartles and Jaymes wine cooler by allocating over \$20 million to its advertising campaign, which featured two crafty old sidekicks named Frank Bartles and Ed Jaymes touting the product in a folksy manner. To further strengthen distribution for the brand, Gallo salespeople have been carrying video machines to show prospective retailers upcoming commercials of Bartles and Jaymes. Gallo's strategy has made Bartles and Jaymes the leading wine cooler, overtaking the original entrant, California Coolers.³²

The Maturity Stage

During the maturity stage, sales begin to level off because of increasing competition. The brand attracts few new buyers; instead, it relies on repeat purchases to